

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – DECEMBER 17, 2003

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Howard Roundy, Director of Information Technology. Guests: Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse.

EXCUSED: Chairman Anthony Maiola

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 12/14/03 shows retail sales were up about 7%, on-premise sales were up a little over 2%, off-premise sales were down -5.4%, and total aggregate sales were up 4%. The traffic count increased by 7,490, while the average sales ticket also increased by \$1.09.

The W-1 Total Weekly Sales Report confirms that total sales for the weekly comparison were up 4% or \$366,120, and were also up 7.7% or \$12,970,866 for the year. Wine sales increased for the week by 1.13% or \$50,867, as they did for the year by 8.25% or \$6,345,016. Sales of spirits were up about 7% or \$315,253 for the week, as they also were year-to-date by 7.2% or \$6,626,050.

B. Budget Reports:

Regarding outstanding depletions and post-offs for this past week, Craig reported that he expects to receive a check for an overdue account within the next two days.

For the period of December 7 through December 13, there was about \$26,000 in sales from gift cards, which is a substantial increase over the previous week. The gift card report should be updated and available later today on the internal web site. \$105,000 worth of gift cards has been sold so far, which is about what was sold last year in total in paper certificates.

Craig is in the process of revising the information originally submitted regarding metrics and working on a spreadsheet which itemizes targets for the current year. He is also in the process of making final collections of data from Enforcement and Marketing, as well as from Administrative Services. The report will also show actual progress made month by month. It will be presented to the Commission for review when completed.

The final revised statement of work regarding Enforcement e-licensing has been received. The contract stands at \$153,000, with an additional \$30,000 to be transferred to Administrative Services. This package will be finalized for Commission approval and signature.

The Commission has nothing on the agenda for this morning's Governor and Council meeting.

The first LSR fiscal note request was received this week, which concerns suspensions of liquor licenses and modifications for one-day licensees. Craig will have a draft response for Commission review today.

Efforts are continuing to assist Bruce Bushman's widow by accompanying her to Social Security and N.H. Retirement. It will take about six months for Social Security to cut a check.

Howard has been working with Peter to identify some tools to be used by managers to solve "piggy-backing" issues with credit cards.

The current W-6 Expense Budget Activity Variance Report shows that, as of December 15, 2003, the year is at 46.3% expended, with about 46% of the budget expended. Personnel expenses are being watched closely. The Benefits line is not so far off the budget this year as it was last year, probably because there are several vacancies being drawn against.

George hopes to have the Sweepstakes Governor and Council item ready shortly. Administrative Services has assisted with this, and the spreadsheet indicates that each involved employee will receive \$40.00 to \$50.00. In addition, the Enforcement grant will be ready to go to Fiscal Committee, which is necessary because it is a consultant contract.

An accident occurred involving the new maintenance van yesterday, which was the fault of the other driver who ran a red light. Tom Smith estimates damages will cost about \$3,000.00 to repair. Chief Moore will coordinate this effort with Risk Management.

2. IT Report

Mike Goclowski reported minor problems occurring with licensee orders through Law's new web site because confirmations were defective. However, this issue has been resolved. There are now 223 users on the new site, with just a little over 100 businesses yet to convert from the old site. Among the large users yet to be converted are DeMoulas and Shaws, with testing about due to begin at Hannaford stores. Craig advised that all licensees who have not switched be informed as to when the complete changeover will take place.

Commissioner Byrne asked if the major chains could single bottle pick. He cautioned that the Commission should approve all codes which can be picked this way. He also said in some cases it might be more cost efficient to case pick instead.

Howard said the Dell contract is awaiting approval from the Attorney General's Office.

Bids for the Telexon hand held replacements have gone out to bid and should be returned this coming Friday, with the award issued by Christmas.

Howard said he became aware of a problem in Store #1 Concord where a charge piggybacked onto the previous customer's credit care. A software program was created to help stores determine why this is happening. A trace is being done in Store #76 Hampton to be sent to ACR. Commissioner Byrne recommended monitoring instances on a daily basis. Howard felt he would have more answers relative to this problem by Tuesday of next week.

II. MARKETING & SALES REPORTS

1. Store Operations

Total retail sales for the week ending 12/14/03 were up 7.02% or \$472,737.16. Figures indicate a strong Saturday and soft Sunday.

Store managers will be responsible for reviewing reports on a daily basis to detect internal fraud practices. So far this has been well received.

Store Operations is also working with IT to develop a system whereby when a store employee logs onto Mapper, it will show if purchases have been double charged to a customer's account and can be corrected more quickly. We are also working on this with ACR, but they are having difficulties duplicating the problem on their end. Howard reiterated that a trace will be put on Store #76 Hampton and the results sent to them. There was some discussion as to how these "piggy-backed" transactions occur, which appear to be happening mainly in the larger stores.

Sweepstakes has had some concerns regarding selling more on-line lottery tickets. It was suggested that the lottery be set up as a kiosk run by a private company inside of the stores. A vendor machine is being developed to sell Power Ball tickets. It was suggested that additional on-line terminals could be set up at the registers. Howard suggested that tickets be processed at the registers, but questioned whether or not Sweepstakes would be willing to pay extra expenses incurred to accomplish this.

Peter reported that the new Brookline store is doing well, with sales of \$10,000 on Saturday and \$5,000 on Sunday. There have been a few problems with signage, as the town does not like the pylon sign.

2. Purchasing Report

John reported that out-of-stocks are in very good shape with most of the major brands. Every effort is being made with both the broker and vendor to bring Finlandia products in, as vodka in the 1.75L size is currently out-of-stock.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Three Olives Green Apple Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for a new test market listing for Three Olives Green Apple Vodka, 750ML size (assigned Code #3861), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Results (Codes #5151 & #5153):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #5151, Marie Brizard Passion Liqueur and Code #5153, Marie Brizard Watermelon Liqueur, 750ML sizes, as each failed to earn their respective gross profits for both full distribution and specialty listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Line Extension Result (Code #8656):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from Horizon Beverage Company/Brown Forman Corporation and delist Code #8656, Appleton VX Rum, 1.75L size, which failed to earn the gross profit required for an added size at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and

concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) One Time Buy Mark Down (Three Olives flavored vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/White Rock Distilleries of a one-time buy mark down on Three Olives Raspberry, Cherry and Vanilla flavored vodkas, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Request (Jagermeister):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Sidney Frank Importing Co. of a one-time special purchase of Jagermeister, 200ML size (assigned Code #5401) during January and February 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) One Time Buy Request (Signatory Vintage Rare Reserves):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./MHW, Ltd. of a one-time special purchase of five (5) cases of Glenlivet Distillery 1975, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Store Dry Tasting Request (Kahlua & Kuya):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq to conduct dry tastings of Kahlua and Kuya spiced rum at selected stores on selected dates during December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurring by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) February Special Offers (48 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approved special offers from United Beverages, Inc., based upon depletions of forty-eight (48) spirit items (without matching funds), to be featured on sale during February 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (Codes #33060, #36138, #37159 & #37310):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve general distribution of the following four (4) 750ML size wine codes, each of which has earned at least \$6,500 at the end of a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted: Code #33060, Chas Lafite Champagne Grand Brut; Code #36138, Renzo Masi Chianti; Code #37159, Montes Merlot RSV; and Code #37310, Salmon Run Coho Red. The motion was unanimously adopted.

2) Special Offers for the Super Bowl Sale for January 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer received from Horizon Beverage Company, of one (1) wine item to be featured during the Super Bowl Sale for January 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for February 2004:

a. 5 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of five (5) wine items, to be featured on sale during February 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 14 items – Pine State Trading Co./E&J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E&J Gallo Winery, based upon depletions of fourteen (14) wine items, to be featured on sale during February 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 4 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of four (4) wine items, to be featured on sale during February 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 52 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of fifty-two (52) wine items, to be featured on sale during February 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Products for Close Out:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing on fourteen (14) wine codes from Pine State Trading Company/M.S. Walker, Inc., including floor stock adjustments and a mark up, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Primary Source Submissions (2 items – primary source; 2 items – exclusive agent; 7 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, two (2) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and seven (7) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

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It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 11 through December 17, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford